GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:1250
ANSWERED ON:28.07.2015
Farmer Producer Organisations
Rai Shri Prem Das

Will the Minister of AGRICULTURE be pleased to state:

(a) whether the Government has set up Farmer Producer Organisations (FPOs) to improve access to credit for small farmers;

(b) if so, the details thereof;

(c) the details of policy initiatives taken by the Government for financing of FPOs and to make it at par with the global standards; and

(d) the details of emerging challenges related to financing of FPOs and the steps taken by the Government to address such challenges?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE

???? ???????? ??? ????? ?????? (SHRI MOHANBHAI KUNDARIA)

(a) to (c): Yes, Madam. In order to improve access to credit for small farmers, the Ministry of Agriculture through Small Farmers Agribusiness Consortium (SFAC), an autonomous society under Department of Agriculture and Cooperation, promotes formation of Farmer Producer Organisations (FPOs). The progress of formation of FPOs is at Annexure-I. To further improve their access to credit and strengthen the FPOs, the Ministry of Agriculture has approved a new Central Sector Scheme of "Equity Grant and Credit Guarantee Fund Scheme" (EGCGFS) for registered Farmer Producer Companies (FPCs), being implemented by SFAC. The Scheme has two components namely, Equity Grant Fund and Credit Guarantee Fund. The details are:-

(i) Equity Grant Fund (EGF)-

Equity Grant is a cash infusion equivalent to the amount of shareholder equity in the FPC subject to a cap of Rs. 10 lakh per FPC. EGF enables FPCs to enhance the overall capital base of the FPC to leverage higher loans. The Scheme is for nascent and emerging FPCs, which have paid up capital not exceeding Rs. 30 lakh as on the date of application. Equity Grant sanctioned is directly transferred to the bank account of the FPC. So far 29 applications have been sanctioned to provide equity support of Rs.153.99 lakhs to 29 FPCs.
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(ii) Credit Guarantee Fund (CGF)-

The fund has been set up with a corpus of Rs. 100.00 crore for providing a Credit Guarantee Cover to Eligible Lending Institutions (ELIs) to enable them to provide collateral free credit to FPCs by minimizing their lending risks in respect of loans not exceeding Rs. 100.00 lakhs. So far 7 applications have been sanctioned covering loans of Rs. 332.01 lakhs to 7 FPCs.

(d): Financing of FPOs is a challenge as the Banks are reluctant to liberally finance working capital to FPCs. To address the challenge, the Government, through SFAC organizes awareness camps to publicize the Equity Grant and Credit Guarantee Fund Scheme all over India. So far 72 awareness camps have been organized in 72 districts of 15 States. Bankers, FPC representatives and State govt. officials are invited to these camps. Till date 11 Banks have signed Memorandum of Understanding (MoU) with Small Farmers Agri Business Consortium (SFAC) under Credit Guarantee Fund Scheme for FPCs. (Canara Bank, State Bank of India, NABARD, IDBI, NABARD Financial Services, PNB, Indian Bank, Bank of India, NABKISAN Finance Ltd., RBL Bank, HDFC) and efforts are on to enlist more banks under this scheme.